

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
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E.O. 11652: GDS
TAGS: ECON EFIN EG
SUBJECT: PRICE RISES ATTAIN JANUARY 1977 LEVEL

REF: (A) CAIRO 9818, (B) CAIRO 9773, (C) CAIRO 9662,
- (D) 77 CAIRO 23041

SUMMARY: RECENT PA DEBATE ON RISING COST OF LIVING HAS BROUGHT PRICE INCREASES OF LAST SIX MONTHS INTO LIME-LIGHT. RETAIL PRICE OF MOST SUBSIDIZED COMMODITIES HAS ATTAINED (AND IN SOME CASES EXCEEDED) PLANNED INCREASES ABORTED FOLLOWING JANUARY 1977 RIOTS. RECENT COLLAPSE OF PEACE INITIATIVE HAS TURNED EGYPTIAN FOCUS TO DOMESTIC ECONOMY AND POTENTIALLY VOLATILE SITUATION MAY BE BREWING. END SUMMARY.

1. FOLLOWING PRESS ACCOUNTS LEGISLATOR'S FUROR OVER BREAD PRICE INCREASES LAST WEEK (REF C), EMBASSY CHECKED PRICES AT LOCAL GOVERNMENT FOOD OUTLETS. KEY STAPLE OF GOE DIET, BALADI BREAD, IS MOST FREQUENTLY FOUND IN 1 PIASTER LOAF. SMALLER AND MORE POPULAR LOAF, WHICH
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HAS FIXED PRICE OF .5 PIASTERS, IS RARELY AVAILABLE. OTHER VARIETIES OF BREAD, INCLUDING SHAMI, ROLLS AND BAGUETTES HAVE RISEN BY 50 PERCENT FROM 1 TO 1.5 PIASTERS. NEW PRICES, WHICH HAVE BEEN IN EFFECT FOR SOME TIME, ARE NOW AT LEVEL ORIGINALLY PROPOSED BEFORE SUBSIDY RIOTS IN JANUARY 1977.

2. AS PREVIOUSLY REPORTED (REF D), INFLATION HAS HIT OTHER FOOD ITEMS, TOO, NOTICEABLY MEAT AND SUGAR. FLOUR AND SUGAR HAVE BEEN IN INCREASINGLY SHORT SUPPLY DURING LAST FEW WEEKS. DISTRIBUTION OF BASIC COMMODITIES EVIDENTLY HAS BEEN COMPOUNDED BY LACK OF STOCKS AND GOVERNMENT HAS BEEN HARD PUT TO AUGMENT THESE QUICKLY. MOREOVER, GOE HAS DELIBERATELY ALLOWED SMALL PRICE RISES WITHOUT FANFARE ON STAPLE COMMODITIES IN EFFORT TO CONFORM WITH IMF REFORM SUGGESTIONS. CURRENT PLAN IS TO CONTINUE IMPLEMENT PRICE REFORM, EXTENDING IT TO INDUSTRIAL COMMODITIES, WHICH REPORTEDLY WILL INCREASE TO COVER PRODUCTION COSTS.

3. FIGURES CITED FOR BREAD ALONE, INDICATE REASON FOR GRAVE UNEASINESS ON PART SENIOR GOE OFFICIALS OVER PRICE RISES AND FOOD AVAILABILITY. DURING RECENT WEEKS, GOE HAS MADE ALMOST FRANTIC EFFORTS TO REASSURE PUBLIC THAT IT DOING BEST POSSIBLE TO HOLD DOWN PRICES AND PROVIDE REQUIRED FOOD SUPPLIES. IN THIS CONNECTION, MINISTER OF INTERIOR NABAWI HAS AGAIN TAKEN TO CONSPICUOUS PROWLING OF CAIRO FOOD MARKETS, SETTING UP VIGILANTE COMMITTEES OF IRATE HOUSEWIVES TO IDENTIFY MERCHANTS EXCEEDING PRICE GUIDELINES. MINISTER OF TRADE AND SUPPLY ZAKARIA TEWFIQ HAS SPLASHED GOVERNMENT EFFORTS INCREASE FOOD SUPPLIES ACROSS FRONT PAGES, PROVIDING DETAILS ON PROJECTED CAMEL PURCHASES FROM SUDAN AND COOPERATIVE MERCHANDISING OF CHEESE, VEGETABLES, FISH, ETC.
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4. AT HIGHER LEVELS OF GOVERNMENT, PM SALIM HAS LEVIED REQUIREMENT ON PROVINCIAL GOVERNORS TO SUBMIT DAILY REPORT ON SUPPLIES AND PROVISION PUBLIC UTILITIES AND SERVICES. FURTHER, GOVERNORS INSTRUCTED MAKE "SURPRISE" INSPECTIONS IN THEIR GOVERNORATES. FINALLY, SADAT'S CURRENT TOUR OF NEW VALLEY HERALDED AS USHERING IN "THIRD REVOLUTION"--"GREEN REVOLUTION"--WHICH WILL ENABLE EGYPT CONQUER DESERT THROUGH LAND RECLAMATION, THEREBY ACHIEVING FOOD SUFFICIENCY OVER LONG RUN. SPEAKING TO FARMERS, PRESIDENT SADAT EVOKED RECEDING MEMORIES OF OCTOBER 1973 CROSSING OF SUEZ CANAL, CALLING ON THEM EFFECT SAME BREAKTHROUGH IN PROVIDING FOOD SUPPLIES TO PEOPLE.

5. COMMENT: STEPPED-UP ACTIVITIES OF GOVERNMENT OFFICIALS CLEARLY TIED TO GROWING POPULAR REACTION AGAINST GRADUAL BUT DELIBERATE INCREASE IN PRICES OF BASIC COMMODITIES. UNLESS GOVERNMENT ACTS QUICKLY AND DECISIVELY, SITUATION COULD CONCEIVABLY GET OUT OF HAND. SEVERAL SENIOR OFFICIALS RECENTLY HAVE MOOTED POSSIBLE REPLAY JANUARY 1977 RIOTS--FEAR OF WHICH CERTAINLY LIES AT CENTER GOVERNMENT DISQUIET. RECENT DEBATES IN PEOPLES ASSEMBLY POINT TO PRICES AND AVAILABILITY AGAIN COMING TO CENTER STAGE OF DOMESTIC DISCUSSION, WITH MP'S

REFLECTING THEIR CONSTITUENTS' DISSATISFACTION. AS PEACE
PROSPECTS ARE PERCEIVED TO BE DIMMING, ATTENTION IN-
CREASINGLY TURNS TO INTERNAL ECONOMIC PROBLEMS AND, HERE,
PM SALIM'S CABINET HAS NOT DEMONSTRATED IT IS IN EFFECTIVE'
CONTROL. EILTS

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